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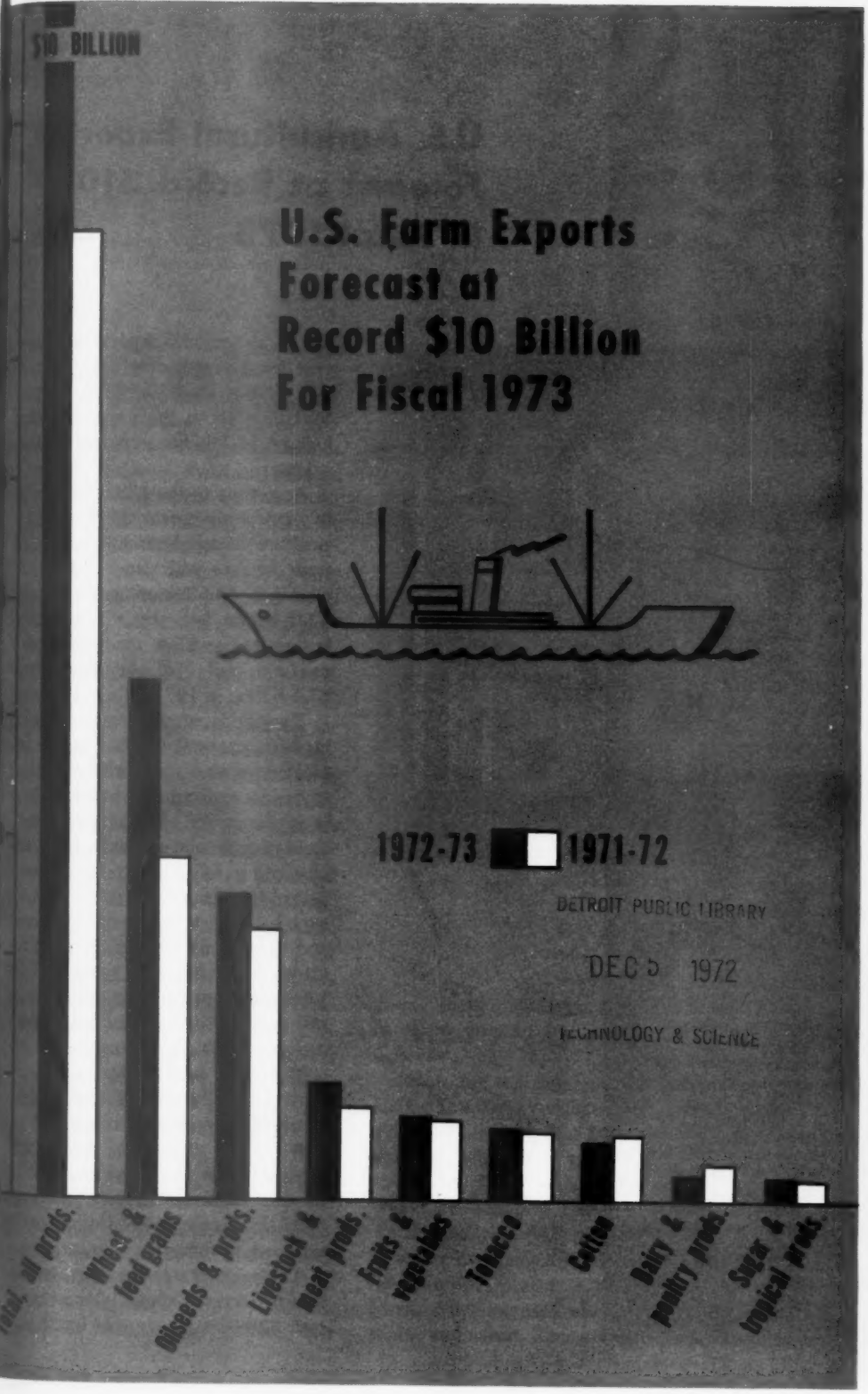

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NOVEMBER 13, 1972

FOREIGN AGRICULTURAL SERVICE
U.S. DEPARTMENT OF AGRICULTURE

FOREIGN AGRICULTURE

VOL. X • No. 46 • November 13, 1972

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This week's cover:

Grains, soybeans, and cotton are expected to lead U.S. farm exports to a record $10 billion in fiscal 1973. Two-thirds of this year's increase in farm exports will be due to increased volume (primarily of the above three) and one-third to higher prices. The cover chart compares this year's expected export totals with those of fiscal 1972. Article begins on this page.

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Use of funds for printing *Foreign Agriculture* has been approved by the Director of the Bureau of the Budget (May 1, 1969). Yearly subscription rate, $10.00 domestic, $13.00 foreign; single copies 20 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

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U.S. Agricultural Exports Forecast at Record $10 Billi In Fiscal 1973

U.S. agricultural exports in the current fiscal year ending next June 30 will total about $10 billion—almost $2 billion above the previous record high of $8.1 billion reported last fiscal year.

According to the U.S. Department of Agriculture earlier this month, agriculture's contribution to the U.S. trade balance will also be at an all-time high, $3.5 billion compared with $2.0 billion last year. This contribution helps offset the unfavorable nonfarm trade balance, which was $7.1 billion in 1971-72.

Two-thirds of this year's increase in farm exports will be due to increased volume (primarily of grains, soybeans, and cotton) and one-third to higher prices. The increased volumes of grain and soybeans, in particular, will mean substantially increased demands by country elevators for railcars, by interior elevators for railcars and barges, and by port elevators for ships. The successful movement of 83 million metric tons into export will require coordinated movement and avoidance of bottlenecks.

The sharp increase forecast in exports primarily reflects record shipments of grains and soybeans in prospect. While exports of these commodities to most destinations will be up over those of last year, the large purchases by the Soviet Union are the single most important element.

The value of wheat exports is forecast to increase about 90 percent to over $2 billion, feedgrains by 38 per-

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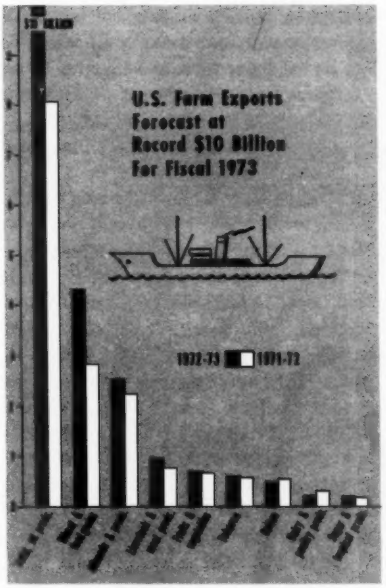
cent to $1.6 billion, and soybeans and products by 13 percent to about $2.3 billion. Total exports of oilseeds and products are expected to rise to $2.5 billion. In addition, higher prices are expected to boost livestock product exports by 32 percent to almost $1 billion. Slight increases are forecast for fruits and vegetables.

Declines in value are forecast only for dairy and poultry products, down 30 percent, and cotton, down 6 percent. However, the volume of cotton exports will be up 5 percent, to 3.5 million bales.

Farm exports this fiscal year are expected to be $3.5 billion larger than agricultural imports. This favorable agricultural trade balance would exceed by $1.2 billion the previous high recorded in 1966-67. Noncommercial exports this fiscal year are estimated at $1 billion, leaving a record commercial trade surplus of $2.5 billion.

The Soviet Union accounts for about half of the total increase forecast for U.S. agricultural exports this fiscal year. These USSR purchases are now estimated at $1.2 billion, compared with about $150 million last year. Most of this increase will be in wheat, which may total around $660 million. Feedgrain exports may total close to $400 million, and soybeans $135 million.

Exports to Western Europe are expected to total about $3.2 billion, slightly more than a year earlier. Soybeans and soybean products will account for most of that increase, but



grains should also gain along with fruits, vegetables, and animal products.

Japan, the top single-country market for U.S. farm products, will probably take a record $1.5 billion worth this year, with major gains in wheat, feedgrains, fresh fruits, cattle hides, cotton, and tobacco. Exports to other Asian countries, including the Near East, are expected to show a substantial gain and total over $2.0 billion. Most of this increase will be in feedgrains and wheat. Recent sales of linseed oil, wheat, and corn may bring exports to the People's Republic of China to about $50 million.

U.S. agricultural exports to Latin America should advance to around $850 million from approximately $762 million last fiscal year, with much of the increase being in wheat and feedgrains. Exports to Canada will approach $700 million, compared with $661 million last year, with increases concentrated in corn, fresh fruits and vegetables, and cotton. Exports to Africa are expected to total around $350 million compared with $322 million a year earlier.

The rise in U.S. farm exports this fiscal year will be the fourth consecutive annual increase—from a level of $5.7 billion in 1968-69. Commercial sales for dollars will have almost doubled from $4.7 billion during that period.

The continued expansion in U.S. agricultural exports this year has been aided by a number of factors:

- The world grain supply situation.
- Failure of the USSR wheat crop.
- A continuing rapid improvement in economic conditions around the world.
- The liberalization of trade with the USSR and People's Republic of China.
- The realinement of currencies resulting from the Smithsonian Agreement last December.
- Available U.S. supplies and the capacity to move large quantities of grain.

USSR Import of U.S. Soybeans May Indicate Difficulties In Meeting Oil Needs

By GEORGE E. WANAMAKER
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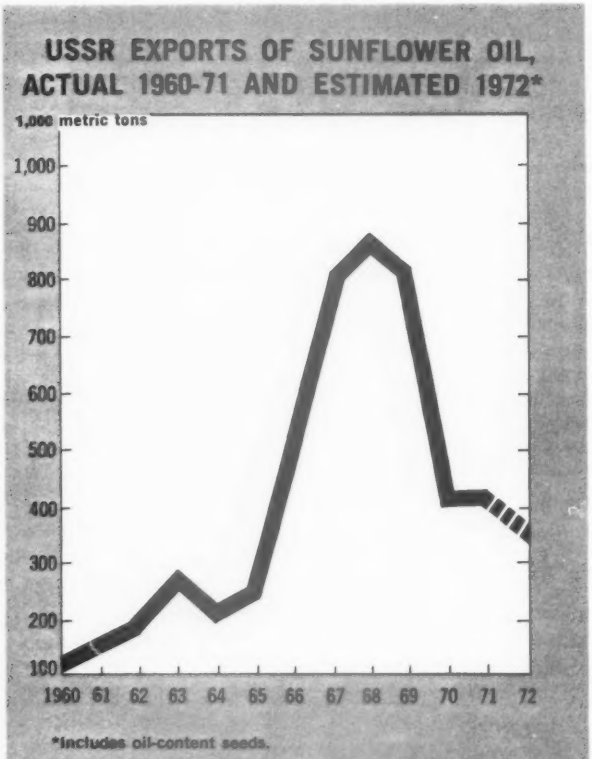


DESPITE ITS CONTINUING role as the world's largest exporter of sunflower oil, the USSR appears to be in the midst of a dilemma over vegetable oil supplies.

This apparent problem—caused by declining sunflower output since 1968 alongside continued growth in domestic demand and the desire to maintain sunflower oil exports at current, rather low levels—seems to be borne out by the USSR's August purchase of a million tons of U.S. soybeans. That purchase was explained as a measure to upgrade the protein content of livestock feed and spur a 25-percent increase in livestock-product output by 1975. If protein was the only need, however, a more logical import would have been less-expensive soybean meal.

That the USSR instead elected to import soybeans, which will yield about 175,000 tons of oil, indicates the extent of its problems with sunflower and the likelihood that production may not increase materially in the near future. This, in turn, means the country may need further, and possibly larger, imports of oil-bearing materials.

Currently, it appears that the 175,000 tons of soybean oil involved can well be used in 1972 and 1973, owing to the growing underfulfillment of the Soviet's vegetable oil production plan in the State sector—the industrial-scale plants of the food industry, excluding the relatively small, locally controlled plants.

Total vegetable oil production in the Soviet Union has ranged between 2.8 million and 3.0 million tons in the 1970-72 period, with State production, at about 88 percent of the total, apparently increasing from 2.3 million in 1970 to 2.5 million in 1975.

The State production was sufficient to meet plans in 1970 and 1971. For 1972, however, the plan was increased to 2,976,000 metric tons, which means that even with a State production of 2.5 million tons and an additional 50,000 tons of oil from imported U.S. soybeans, USSR oil output will be over 400,000 tons short of its goal.

THIS UNDERFULFILLMENT is expected to increase in 1973, even after including the oil outturn of 1 million tons of U.S. soybeans scheduled to be processed by the State in 1972 and 1973.

In earlier years, plan levels of production—and achievements against these plans—became little more than

A Soviet village market where vegetable oil is sold.

Chickens on USSR farm.

Raw cotton being dried. Later, seed will be separated from the cotton for processing into vegetable oil.

figures for historical reference. The purchase of U.S. soybeans, however, may mean that the Soviet Union is taking its vegetable oil and protein plans seriously. In view of the substantial Soviet grain purchases we tend to accept this assumption, and with it the implication that additional imports of soybeans or other oil-bearing materials will be needed if production plans are to be met in the 1973-75 period. With respect to such possible importing, what the Soviets do in 1973 should be a good test of their real intentions toward their current protein and vegetable oil plans.

Current USSR sunflower production plans place major emphasis on improved yields with little change in acreage. This step is not considered adequate, however, to provide a sufficient increase in production to meet seed procurement or vegetable oil production plans.

There appear to be two means by which State production of vegetable oils in the USSR could be raised:

- By an increase in total vegetable oilseed production, resulting from larger acreage or yields—primarily of sunflower but also to a lesser extent of cottonseed and other miscellaneous vegetable oilseeds—accompanied by an increase in State oilseed procurement.
- By increased imports of oilseeds, or crude oil, for domestic processing.

IN BRIEFLY VIEWING these alternatives, we find that Soviet production of sunflowerseed has declined annually since reaching its peak in 1968 of 6,150,000 metric tons, barn basis, and 1972 production may be as low as only 5.3 million tons.[1] The decline has generally been attributed to reduced acreage and adverse weather factors which have affected yields. In 1972, Soviet sunflower acreage reportedly was increased slightly, but yields appear to have remained low, and some trade sources believe actual production in 1972 may fall below the 1971 level.

Following a period of successive declines in sunflowerseed harvests in 1969 and 1970, the Soviet Union established, but failed to meet, a substantially higher goal of State procurement of sunflowerseed in 1971. The failure to meet the 1971 procurement plan was primarily responsible for the 1972 underfulfillment of the State monthly vegetable oil production plan. The 1972 procurement goal of 5.4 million tons of sunflowerseed is above estimated production on a barn basis, indicating 1973 vegetable oil production will continue below the current 5-year plan level.

The Soviet Union appears to have made a calculated decision that substantially increased imports of oil-bearing materials are needed to expand availability of protein supplements and State production of vegetable oil.

There is always the prospect that Soviet sunflowerseed production can be

USSR MONTHLY VEGETABLE OIL PRODUCTION (STATE SECTOR), 1970-71 AND JANUARY-AUGUST 1972

[In thousands of metric tons]

Month	1970	1971	1972
January	220	259	229
February	198	231	221
March	208	237	233
April	185	220	212
May	173	225	211
June	154	207	205
July	114	124	119
August	53	77	55
September	168	170	(1)
October	281	286	(1)
November	289	291	(1)
December	297	282	(1)
Total	2,340	2,609	[2]2,550

[1] Not available. Includes 50,000 metric tons, oil equivalent, imported U.S. soybeans for processing in State sector. [2] Estimated.

Source: *Ekonomicheskaya Gazeta,* various issues.

[1] Soviet harvest data are reported on a gross basis. We calculate barn or usable production on the basis of gross production minus 8 percent for dockage. The first official estimate will be available January 1973.

Soviet sunflowerseed is stored and dried at units like State-owned one at right.

Trucks line up at a Soviet sunflower oil plant so that moisture content of seed may be tested before delivery.

USSR VEGETABLE OIL PRODUCTION (STATE SECTOR), PLANNED 1970-75, ACTUAL 1970-71, ESTIMATED 1972-73

Item	1970	1971	1972	1973	1974	1975
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Actual production	2,340	2,609	2,550	2,650	(1)	(1)
Planned production	2,345	2,582	2,967	3,130	3,240	3,390
Difference	—5	27	—417	—480	(1)	(1)
Production as percentage of plan	*Percent* 100	*Percent* 100	*Perecnt* 86	*Percent* 85	*Percent* (1)	*Percent* (1)

[1] Not available.
Source: USSR Five-Year Plan 1971-75.

USSR SUNFLOWER ACREAGE, YIELDS, AND PRODUCION, 1970-72, AND SUNFLOWERSEED PROCUREMENT PLANS, 1970-75

Item	1970	1971	1972	1973	1974	1975
Planted area...1,000 acres	11,834	11,115	[1] 11,300	([2])	([2])	([2])
Yield ...pounds [3]	1,053	1,040	[1] 1,034	([2])	([2])	([2])
Production						
1,000 metric tons [3]	5,652	5,244	[1] 5,300	([2])	([2])	([2])
Procurement plan ...do	4,613	5,285	5,410	5,540	5,690	5,900
Procurement, actual ...do	4,613	4,356	([2])	([2])	([2])	([2])

[1] Preliminary estimate; trade sources indicate 1972 sunflower production may be lower. [2] Not available. [3] Estimated barn yields after adjustment for 8 percent dockage.

increased in the 1974-75 period by acreage expansion. However, as other Soviet agricultural production goals are also in trouble, the availability of acreage for sunflower expansion is not likely to be sufficient to meet the State vegetable oil production plans, and further imports of oilseeds and/or crude vegetable oil for refining may continue in 1974-75 and possibly accelerate.

Assuming domestic production of sunflowerseed increases by 500,000 metric tons in 1973, or 225,000 metric tons, oil basis, the oil equivalent of 1 million tons of soybeans would still be needed in 1974 to meet the vegetable oil production plan of 3.2 million tons. Moreover, if Soviet sunflowerseed production fails to increase in 1973, there is a gap or import requirement equal to over 2 million tons of soybeans, oil basis, in 1974.

The Soviet Union presumably will have the excess crushing capacity in 1972-73 to process a million tons of imported U.S. soybeans. We base this conclusion on the fact that the current crop is likely to be nearly a million tons below the record crop of 1968—which was handled in 1969 with little difficulty. Further, as there has been expansion in Soviet oilseed crushing capacity in recent years, additional imported soybeans could be handled, possibly ranging up to 2 million tons.

While the Soviet Union's soybean processing region is concentrated in the Far East, Chinese and U.S. soybeans have been crushed for oil in European Russian mills. Roughly 75 percent of the Soviet oilseed crushing capacity is of the pre-press solvent type, with crocking rolls and drying equipment for seed preparation.

Rather than spread U.S. soybean imports throughout the country's numerous smaller facilities, the Soviet Union may elect to concentrate processing in a few of the larger plants adjacent to the Black Sea. This move would ease the internal handling and transportation problem and make possible more efficient utilization of existing capacity by reducing the need for operating two processing lines—one for sunflower and one for soybeans—in the same mill. These plants can process up to 500,000 tons each annually.

Some relief for the relatively tight vegetable oil supply situation has been found in other alternatives available to the Soviet Union.

Exports of sunflower oil, including seeds, oil basis, which approximated 875,000 tons in 1968, have declined sharply and totaled only 415,000 tons in 1971. They may decline to 300,000-350,000 tons in 1972 and 1973.

This relatively low level of sunflower oil exports is being maintained in order to meet priority export commitments to such countries as East Germany and Czechoslovakia and to earn hard currency in West European markets. However, since sunflower oil exports have already declined sharply, there does not appear to be much latitude for a further decrease in exports without posing new difficulties for Soviet planners.

Soviet officials are not unaware that should exports decline further, West European producers of sunflower-oil identity-preserved margarine may be tempted to shift to U.S. cottonseed or soybean oil. Such a shift could have serious long-term consequences for Soviet sunflower oil sales to Western Europe. Recapturing an identity-preserved vegetable-oil market after displacement by other oils poses a difficult problem.

Another alternative to short Soviet vegetable oil supplies is increased production of animal and marine fats and oils. If forced slaughtering on a significant scale should result from the current tight feed situation, short-term animal fat supplies would be greater. However, with a decrease in marine oils, and butter production remaining well below plan, the increase in lard and edible tallow production so far has done little to satisfy the USSR's growing urban requirements.

One of the mysteries of the Soviet vegetable oil situation was the sharp decline in per capita vegetable oil consumption in 1966, according to official Soviet data, and the failure since that time to regain the 1965 level. The 1975 goal for per capita vegetable oil use has not been revealed, as has been true for several other foods, but it has been declared that the former will rise to the "optimum level" by 1975.

We estimate that in recent years, edible oil consumption may have approximated only about 20 pounds per person. This level of intake is still substantially below the West European and U.S. levels, and, more importantly, it may be inadequate to the Soviets.

Further, with the Soviet Union's population shifting from 51 percent rural in 1960 to 57 percent urban in 1971, an increase in supplies of fats and oils like liquid cooking oils and margarine becomes more and more imperative. Also, as the Soviet Union appears to have made strides in upping per capita income, its policy decision to maintain vegetable oil prices in State stores at a fixed level explains in part the need for increasing supplies.

Imports of U.S. soybeans, with an assured market for the high-quality meal component, provide one source of increased vegetable oil supplies. These new supplies of soybean oil should help maintain sunflower oil exports and permit some increase in per capita consumption of vegetable oil.

If the Soviet purchases of soybeans enable the continuation of sunflower oil exports at a higher level than would have otherwise been possible, it also would provide the USSR with additional foreign exchange earnings. Assuming that the premium on sunflower oil averages $50 per ton over soybean oil during 1972-73, by importing 175,000 tons of soybean oil in the form of U.S. soybeans and exporting an equal quantity of sunflower oil not otherwise available for export, the Soviet Union earns an additional $8.75 million in foreign exchange.

USSR ESTIMATED ANIMAL AND MARINE FATS AND OILS PRODUCTION, 1970-73

Item	1970	1971	1972	1973
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Lard	689	760	730	800
Whale oil	24	25	20	20
Fish oil	65	65	65	65
Subtotal	689	760	815	885
Butter (fat basis):				
Actual	875	910	900	885
Planned	960	1,016	1,093	1,130
Difference	−85	−106	−193	−245
	Percent	*Percent*	*Percent*	*Percent*
Production as percent of plan	91	90	82	78

Source: *Oil World* and USDA estimates.

USSR ESTIMATED SUPPLY AND DISTRIBUTION OF VEGETABLE OILS, 1970-72, PROJECTED 1973

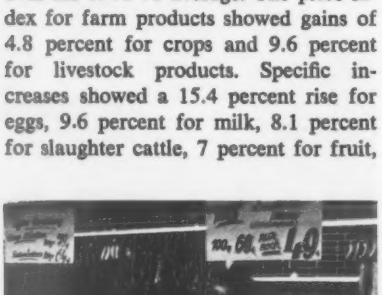
Item	1970	1971	1972	1973
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Supply:				
Stocks, Jan. 1 [1]	350	150	200	300
Production:				
Sunflower	2,100	2,150	2,020	2,050
Cottonseed	500	600	610	575
Soybean	50	60	[3] 110	[3] 185
Other	150	140	160	150
Total	2,800	2,950	2,900	2,960
Imports	—	—	([2])	([2])
Total supply	3,150	3,100	3,100	3,260
Distribution:				
Food	2,100	2,200	2,300	2,360
Industrial	300	300	300	300
Exports	[4] 450	[4] 400	300	300
Stocks, Dec. 31	150	200	300	300
	Millions	*Millions*	*Millions*	*Millions*
Population	242.8	245.0	247.1	249.3
	Pounds	*Pounds*	*Pounds*	*Pounds*
Per capita consumption	[5] 19.0	19.8	20.5	20.9

[1] 1971 wholesale stocks only—other years USDA estimates. [2] 50,000 metric tons of soybean oil from imported U.S. soybeans. [3] 125,000 metric tons of soybean oil from imported U.S. soybeans. [4] Of which sunflower, oil basis, reported at 412,000 tons in 1970 and 415,000 in 1971. [5] Officially reported at only 15 pounds or below the 1965 level of 16 pounds per capita.

Source: *Oil World* and USDA estimates.

West German Farm Income And Trade Climbed Steadily In Early 1972

West Germany's rising farm prices and output of fruits—such as the grapes above—and other farm products, have led to new highs in farm income. Retail food prices in German shops (right) are up.



West German farmers are more prosperous in 1971-72, as farm income jumped 14.5 percent higher than the previous year. The increase was the result of greater agricultural output, and, particularly, rising farm prices. In addition, the trade picture for the first half of 1972 was excellent.

Agricultural exports soared 13 percent above the first half of 1971 to total $910 million, while imports increased only 7 percent above last year for the same time period and reached $3.7 billion.

West German agricultural production in the crop year August 1971-July 1972 grew 8 percent, reaching a net value of $5.4 billion.

Average agricultural prices, excluding value-added tax, rose 8.6 percent over the 1970-71 average. The price index for farm products showed gains of 4.8 percent for crops and 9.6 percent for livestock products. Specific increases showed a 15.4 percent rise for eggs, 9.6 percent for milk, 8.1 percent for slaughter cattle, 7 percent for fruit, and 5.2 percent for vegetables.

Farmer purchases from nonfarm sectors also increased; however, the rise in price of these products moved at a slower pace than that of producer prices.

As farm incomes rose to peak levels, the disparity between farm and nonfarm incomes was reduced. Average farm income on a full-time labor basis amounted to $4,050 in 1971-72, or a 14 percent increase over the previous year.

A preliminary estimate of expected income for 1972-73 made by Under Secretary of Agriculture, Dr. Hans-Dieter Griesau, predicts that "on the basis of approved farm prices in March 1972, income for grain farmers could further increase by about DM 100 million ($31 million) and for sugar by about DM 40 million ($12.8 million)."

Paralleling the steady rise of farm prices has been a strong upswing in retail food prices. Food and beverage prices alone rose by 6.6 percent from July 1971 to July 1972.

The forecast is for continuing rises in food prices, particularly meat. Supplies of meat are expected to be lower than last year, with continued high feedgrain prices forcing meat prices upward for the present at least.

As expected, Germany's trading within the EC was brisk, with imports amounting to $1.9 billion in the first 6 months of 1972, or about 52 percent of the country's total agricultural imports. During the first half of 1971, only 46 percent of total agricultural imports were from EC countries. Exports to EC countries this year mounted 21 percent to a substantial $530 million.

As West German trade with the EC increased, imports of U.S. farm products for the first 6 months of 1972 declined in value 3 percent from the same period last year, and imports from all third countries (non-EC members) fell 4 percent. Exports to third countries, including the United States, increased by 2 percent to total $370 million.

Exports that showed greatest growth were milk and milk products, meat products, sugar, and beer and wine.

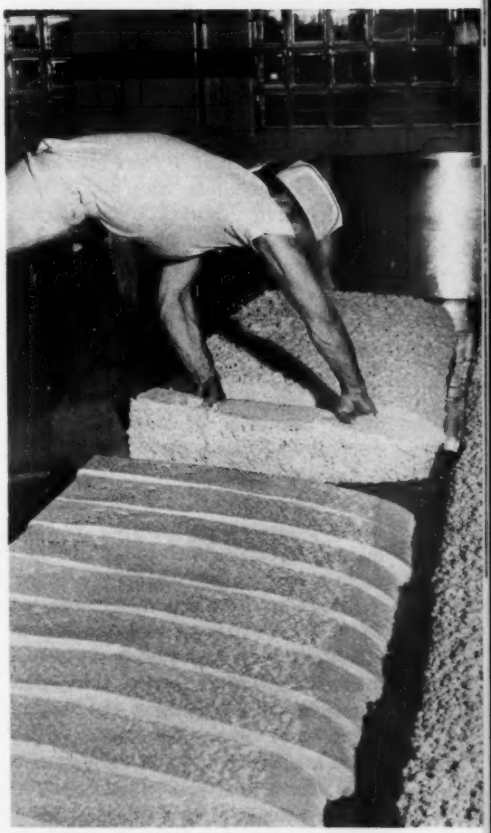
Strong import demand is expected to continue for the remainder of 1972, with emphasis on meat, meat products, and fruits and vegetables.

—Based on a report by Roger E. Neetz
Assistant U.S. Agricultural Attaché
Bonn

Milk and products from German dairy cows are among the farm commodities that showed greatest export growth in the first 6 months of 1972.

Whey—A Problem or Opportunity? Dairy Industry Seeks Answer

By DAVID R. STROBEL
Dairy and Poultry Division
Foreign Agricultural Service



In the manufacture of Cheddar cheese, sliced blocks of curd are turned over, allowing the liquid whey to drain off.

ACCORDING TO THE well-known nursery rhyme—

Little Miss Muffet sat on a tuffet
Eating her curds and whey.

Unfortunately, in the course of time, very few people have followed little Miss Muffet's example, and the disposal of whey is now a problem of universal interest.

The solution of the problem has increased in importance in line with rising worldwide concern over environmental pollution and resulting pressures to decrease the amount of liquid whey entering sources of water supplies.

The dairy industry's concern over this problem has resulted in the increased manufacture of liquid whey into dry whey for use in animal feeds and food. Dry whey production, however, is still small compared with the total liquid whey supply.

Interest of the U.S. dairy industry in the problems and opportunities for cheese whey led to the formation of a Whey Products Institute (WPI), which held its first meeting in April 1972.

With the belief that whey is becoming an important factor in dairy marketing, and in preparation for discussing it at the Institute meeting, a survey was made through the U.S. agricultural attachés to obtain basic information on whey worldwide, and what is being done.

The problem of disposal dates back to the beginning of commercial cheese production. At that time, some of the liquid whey resulting from the manufacturing process was returned to the farm in cans to be used for feeding. Even then, however, not all of the whey was utilized, and much went down the factory floor drains.

In recent years, increased labor and transportation costs, combined with the development of bulk tank operations in most dairy countries, made returning liquid whey to the farms impractical. The result was that most liquid whey was dumped down the drain, with only a small amount processed for animal feed and human food use.

Over the past decade cheese output has increased steadily in the major producing countries—and with this has developed the problem of what to do with the increasing amounts of whey.

In the United States, for instance, cheese production in 1971 totaled 2.4 billion pounds, and cottage cheese, 1.1 billion, resulting in 18.9 billion pounds of liquid sweet whey and 5.3 billion of liquid acid whey. Utilization of this supply amounted to only 679 million pounds of dry whey, produced from a whey equivalent of 9.2 billion pounds; 85 million pounds of crude milk sugar, from a whey equivalent of 2.1 billion; and 287 million pounds of condensed whey, from an equivalent of 2 billion.

The U.S. attaché survey of foreign whey production revealed a great lack of official statistics, little knowledge of the present utilization of whey for feed and food, and even less knowledge of what the future holds. It was found, however, that awareness is growing around the world of the whey disposal problem.

Production of dry whey in Canada in 1971 was reported to have totaled 52 million pounds for a 21-percent increase over 1970—almost paralleling the increased production of cheese. Dry whey output was only one-third of possible production if all available whey had been dried. Exports amounted to about 7.5 million pounds, and imports, about 1 million. Domestic consump-

tion was about 50 million pounds.

As part of its antipollution drive, Canada plans to expand the number of whey drying facilities. Also, a blend of nonfat dry milk and dry whey is increasingly being used in products normally requiring nonfat dry milk.

The lack of dependable whey statistics is illustrated by a European Community (EC) estimate that its 1971 production of dry whey totaled about 165 million pounds, contrasted with a French production estimate for that country alone of over 240 million.

EC trade sources report that dry whey production probably more than doubled in the past 3 years because of stricter antipollution laws and a nonfat dry milk shortage. The current trade estimate of total EC dry whey production is 551 million pounds.

EC prices for dry whey are reportedly averaging about 10 cents a pound. A trade rule-of-thumb is that the price of dry whey should be about one-third that of nonfat dry milk. The EC has set a threshold, or minimum entry, price of 10.59 cents per pound.

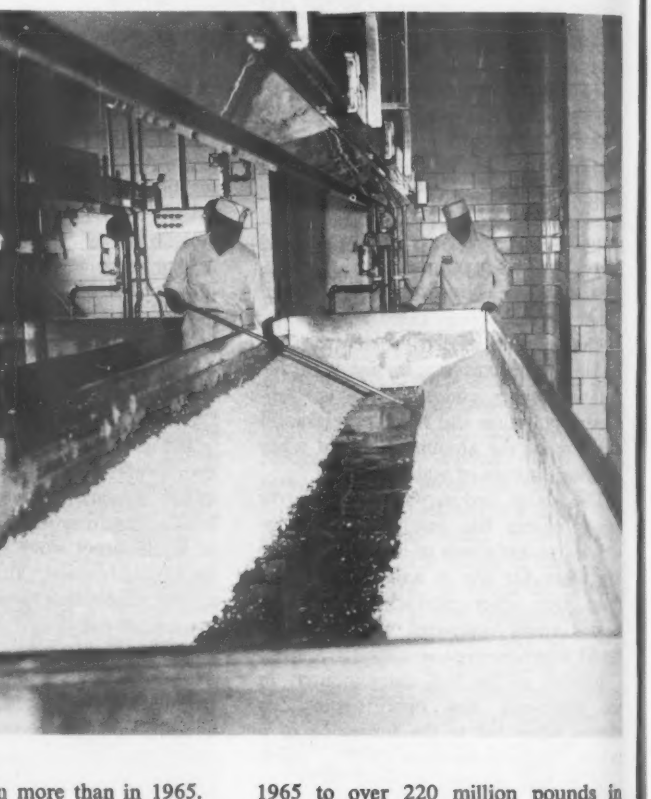
The EC trade also reports that dry whey has been used as a substitute for 10-12 percent of the nonfat dry milk in calf replacers. For 1972, this percentage may be up to 20-25 percent.

France in 1971 reportedly exported 71 million pounds of whey, mostly to other EC countries, and imported 11 million. In 1970, France established standards for a Quality A and Quality B dry whey.

WEST GERMANY PRODUCED 106 million pounds of dry whey in 1971, compared with 94 million in 1970 and 85 million in 1969. In both 1971 and 1970, 47 million pounds were exported, mostly to the Netherlands, Italy, Denmark, Spain, and Hungary, compared with 23 million in 1969.

West German imports, principally from the Netherlands and France, were 13 million, 22 million, and 30 million pounds, respectively, in 1969, 1970, and 1971.

The Netherlands is an important cheese manufacturer and consequently produces a significant amount of whey; there are no exact production data, however, for whey. Based on cheese production figures, liquid whey production in the Netherlands in 1971 is estimated to have been 6.1 billion pounds —730 million more than in 1970 and almost 2.0 billion more than in 1965.



Right, dipping Swiss cheese curd from whey. Below, ditching cottage cheese so whey will run off. Once generally discarded, whey now is increasingly used in food and feed.

Of the 1971 total, an estimated 304 million pounds were used on the farm, 3.3 billion for lactose manufacture, and 2.5 billion in the manufacture of dry whey.

The manufacture of dry whey last year was up 661 million pounds from 1970 and was almost double the 1968 figure. Much of this dry whey is used for a special calf-fattening ration, in which the content of nonfat dry milk has been reduced from 65 percent to the current level of 55 percent by substitution of dry whey in the ration.

According to statistics issued by the Dutch Product Board for Feed, consumption of dry whey in animal feed has risen from negligible amounts in 1965 to over 220 million pounds in 1971. Dry whey for human consumption is reportedly very limited in volume.

Dutch exports of spray-process dry whey have almost doubled since 1968 to 62 million pounds in 1971, while exports of roller-process dry whey have decreased by almost half to 7.7 million. Imports of dry whey have risen from 4.4 million pounds in 1968 to 33 million in 1971.

The average price paid for imports in 1971 was 7.9 cents per pound, while spray-process dry whey exports sold for 11.3 cents, and roller-process, for 8.5.

Whey exports from the Netherlands go principally to neighboring EC countries and Japan. Japanese import figures

show 1.6 million pounds of Dutch dry whey being imported in 1970 and 212,000 in 1971.

Dutch imports are mainly from France and West Germany. Factory production of cheese in the Netherlands in 1972 is estimated to be up 5 to 6 percent, while farm cheese production will remain at the level of the past 3 years. This means there will be a further increase in fluid whey production to about 6.2 billion pounds. In 1972, Dutch production of dry whey may reach 165 million pounds. Use of dry whey in calf and other animal feed rations, however, is reportedly near the maximum limit.

Based on trade information, Italy's production of liquid whey for the last 3 years has ranged from 7.7 billion to 8.8 billion pounds. Most of it is fed in liquid form to hogs. Of total dry whey production, 70-80 percent is reported to be used for calf feeding and 20-30 percent for human consumption.

In Denmark, liquid whey production in 1971 was 2.2 billion pounds—up 6 percent from the previous year. Owing to the continuing favorable cheese market, whey production in 1972 is expected to increase 5-6 percent from 1971.

An estimated 95 percent of the liquid whey produced is returned to farmers for use, chiefly in hog feeding. The remaining 5 percent is dried and used domestically in pharmaceuticals, baby foods, and a variety of other food items. Use of dry whey in Denmark as an ingredient in milk replacers for calf feeding is still mostly on an experimental and research basis.

Reports from New Zealand indicate production of dry whey does not exceed 450,000 pounds, with about 330,000 being exported to Japan during the 1970-71 production season. However, a substantial amount of liquid whey is used in New Zealand for pig feed, and the bulk of the remaining liquid whey is reportedly used to produce lactose. Dry whey is not used to any extent in milk replacers. There are no Government standards or grades for dry whey or lactose.

Outside of trade within Western Europe, the only significant import figures available are those of Japan. In 1970 and 1971, Japan imported 7.3 and 6.7 million pounds of dry whey. In 1970, the United States supplied 344,000 pounds, and in 1971, 2.1 million. Other suppliers have been the United Kingdom, the Netherlands, Canada, Belgium, France, Australia, and New Zealand. The average import value, as shown by the Japanese Customs Bureau, has been about 10 to 11 cents per pound.

There are two main users of dry whey in Japan—the pharmaceutical industry and the food industry. However, Japan is also beginning to import dry whey for feed use. The latest information is that the Government has decided to adopt a policy of substituting whey for about 20 percent of the approximately 77 million pounds of nonfat dry milk imported for feed use.

Inquiries among the U.S. trade as to the degree of possible substitution of whey for nonfat dry milk in calf replacers and other items, including food products, showed great variances of opinion.

It is quite apparent, nonetheless, that dry whey production is going to show significant increases in the United States and over the world owing to the antipollution pressure. Marketing of the resultant production will have an increasingly important effect on the marketing of nonfat dry milk.

An indication of this effect has been the recent substitution of low-priced dry whey for high-priced nonfat dry milk in both calf replacers and food items. If the current price relationship changes in favor of nonfat dry milk, part of these markets will be recovered, but as usually occurs when price pressure causes substitution, there may not be full recovery in nonfat dry milk usage.

It is a most appropriate time for the world dairy industry to be evaluating the excellent food possibilities of whey and developing new specialized uses for it, rather than having dry whey looked upon only as a substitute for nonfat dry milk. There is no question that the future holds a growing interrelationship of utilization, replacement, and cost between nonfat dry milk and whey. The challenge is to make the abundant supply of whey an opportunity rather than a problem.

JAPAN'S NEW IMPORT PROGRAM AFFECTS $20 MILLION OF U.S. FARM PRODUCTS

The Japanese Government has announced a new program to increase imports and limit export growth in an attempt to reduce the country's trade surplus and forestall another revaluation of the yen. Approval by the Parliament (Diet) is needed for import measures.

In order to encourage imports, Japan proposes, among other things, further liberalization of quota items, a 30-percent increase in quotas, and a 20-percent cut in tariffs for most manufactured items and certain processed agricultural goods. On the export side, an existing Export Trade Control Ordinance will be used to keep in check those exports that have expanded rapidly in recent years. A proposal to impose an export tax was not adopted but will be studied further.

Principal items still subject to import quota—which will presumably be increased by 30 percent under the new program—include fresh oranges, most fruit juices, dried peas and beans, edible peanuts, and beef. Certain items may be exempted from the program during Parliamentary consideration. The increases are expected to become effective during the remainder of Japan's fiscal year which ends March 31, 1973.

The tariff reductions, which also require Diet approval, are expected to be put into effect on January 1, 1973. Most agricultural products will be exempt from the tariff reductions including items subject to quotas or those recently liberalized and bulk agricultural commodities. Many of the latter, including soybeans, feedgrains, cotton, and tobacco, are already imported duty free.

A number of processed agricultural commodities will be subject to tariff reductions, however. Japan's total imports of these items in calendar 1971 were about $83 million of which $20 million worth was from the United States. Items of interest to the United States include canned fruits (except pineapple), canned vegetables (except corn), jams and jellies, essential oils, mayonnaise, fatty acids, and soups and soup mixes. Duties on many of the processed foods now range from 25 to 40 percent.

Leading the nine U.S. commodities whose sales to the United Kingdom in 1971 topped $10 million each were tobacco (below right), accounting for nearly a fourth of export value, and wheat and corn (right) for another fourth. Soybean exports (below) rebounded in early 1972.

U.S. Farm Exports To the United Kingdom Slowed Down In 1972

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THE UNITED KINGDOM imports nearly half of its total food requirements. Its population of 56 million is about 80 percent urbanized. Less than 3 percent of those working are farmers. Per capita expenditures for personal consumption total well above US$1,200, nearly one-fourth of which is spent for food.

This low degree of self-sufficiency in farm production, the large number of people, and high incomes help make the United Kingdom a very attractive export market. The country is the largest importer of agricultural products in the world and the fourth largest dollar market for U.S. farm exports.

In 1971, the value of U.S. commercial agricultural exports to the United Kingdom was $437.5 million,[1] or 6.7 percent higher than in 1970 and 7.2 percent above the 1965-69 annual average. But in the first 6 months of 1972, total sales, at $220.8 million, were $8.1 million below the same 6 months of 1971, owing in large part to a drastic drop in exports of wheat. The wheat decline was to be expected, however, as in the previous year U.S. wheat was being imported on a large scale for feeding purposes in substitution for corn, which was relatively higher priced following the corn blight in the United States.

U.S. agricultural commodities shipped to the United Kingdom consist largely of raw materials and other bulk items. Consumer-ready, grocery store items generally make up a little more than one-tenth of total sales (but 18 percent in 1971). Livestock normally accounts for less than one-half of 1 percent.

In 1971, nine commodities, each with a value of more than $10 million, took up about two-thirds of total sales. They were: Tobacco, corn, wheat, lard, cotton, soybeans, dried beans, oilcake and meal, and furskins. Tobacco—which is by far the most important export—accounted for almost one-fourth of the total export value in 1971; corn and wheat together took up nearly another fourth.

The United States is the largest individual supplier of farm goods to the United Kingdom but the U.S. share of the market slipped from 10.7 percent in 1960 to 8.9 percent in 1970. The combined share of the Common Market-Six (EC) is now higher than that of the United States (up from 8.2 percent in 1960 to 10.9 in 1970) and will undoubtedly increase after the United

[1] **This does not include transshipments, which are particularly large in the case of grains.**

Kingdom's entry into the EC, scheduled for January 1973. Increased trade can also be expected with the other two countries that will join the EC: Ireland and Denmark.

AFTER ENTRY INTO the EC, the United Kingdom will have a 5-year transitional period to complete arrangements to switch to the EC's Common Agricultural Policy (CAP) and Common External Tariff (CXT). During the transitional period the United Kingdom and the EC will also work out the details of the new policies and preferential arrangements that will regulate trade with the countries that belong to the British Commonwealth.

From the U.S. viewpoint, marketing problems are definitely going to increase under EC regulations.

The level of border protection against most imports from the United States and other third countries will rise substantially. Production, trade, and consumption patterns will change at a more rapid pace than previously and most likely to the detriment of U.S. agricultural trade.

The transition from a system of low food prices and relatively few import restrictions to a system of high prices and restricted imports is in progress.

Partly in anticipation of membership in the EC (and as a means of adjusting to the CAP and the CXT), the United Kingdom has introduced a Minimum Import Price (MIP) system, under which various types of import levies are used to bring the price of imported goods up to the level set for goods produced domestically. The MIP system now covers grains, dairy products other than butter and cheese, eggs, poultry, meat, and meat preparations.

Through most of the 1960's, imports of agricultural products had a major influence on market prices in the United Kingdom. To compete with imports and to make up for the difference between the low market price and the generally higher cost of production, farmers were given deficiency payments with funds provided by the Government. Under MIP and EC regulations, prices of farm products are maintained at levels which generally are higher than those prevailing in the world market, and much of the burden of agricultural support is shifted from the Government to the consumer, partly by raising the price of imported goods.

However, under the EC there would be no change in levels of border protection on some significant U.S. trade items, such as soybeans; cotton and cotton linters; horse, cattle, and sheep hides and skins; sausage casing from hogs; crude soybean oil; and refined cottonseed oil.

Tariff protection for certain products will decrease, which may offer the United States greater trade opportunities in these commodities. Products in this category include vegetable oilcake and meal (including soybean meal), inedible tallow, and sausage casing not from hogs, which are now subject to a 10 percent levy, but would enter duty free under EC regulations. The duty on dried peas, certain grasses and other seeds, and crude linseed oil will be lowered from 10 percent to between 4.5 and 6 percent.

Tobacco. The CAP on tobacco is designed to give preference to EC producers through incentives to local farmers for expanding production and premiums to processors for using tobacco of EC origin. Imports from Greece and Turkey, which are associate members of the European Community, enter duty free.

It is generally anticipated that the United Kingdom's entry into the EC will entail significant changes in the U.K. tobacco industry and in the pattern of leaf imports, to the disadvantage of the United States, which now has the largest share of the tobacco market.

FOR THE NEXT several years, however, the United Kingdom could well keep manufacturing and consuming the same type of cigarettes which now dominates the market—thus making no immediate or serious threat to U.S. leaf; however this possibility would depend largely on the continuation of the present U.K. tobacco tax system (with its emphasis on specific, rather than ad valorem duties) and on the continued use of high-quality leaf (which could be lessened in the future by tobacco additives and flavorings).

Several other factors will affect the volume of U.S. tobacco exports to the United Kingdom. The dominance of the U.K. market by U.S. leaf was enhanced by the 1966 ban on imports of Rhodesian tobacco, which traditionally was the main alternative to the U.S. flue-cured leaf.

Practically all U.K. tobacco imports are of flue-cured varieties. In 1971, about 82 percent of U.S. sales to the United Kingdom were of flue-cured tobacco with a moisture content of 10 percent or more.

For several months after the 1966 ban, U.K. tobacco importers held off buying larger quantities of leaf from non-Rhodesian sources in the hope of a settlement of the Rhodesian situation, but imports were stepped up in 1968 to start replenishing stocks.

The United States benefited the most from this increase. In 1969 U.S. sales of all types of tobacco to the United Kingdom were the highest in many years, totaling $147.0 million. But soon after the United Kingdom replenished its stocks, its total imports of tobacco declined. In 1970 the value of U.S. sales of tobacco to the United Kingdom also dropped and the decline continued in 1971 and the first half of 1972.

U.S. sales have also declined because U.K. importers have been searching for new sources of supply, since the U.S. tobacco is more expensive than that from any other producing country. The U.S. share of the market fell from 50 percent in 1968 to 36 percent in 1971.

India, Canada, Malawi, South Korea, Thailand, and South Africa have become relatively important suppliers of tobacco to the United Kingdom, their respective sales experiencing some ups and downs in recent years. It now appears that the ban on imports of Rhodesian tobacco will remain in force for an indefinite period.

The controversy over the relationship between smoking and health has abated somewhat, but antismoking groups are still active.

Grains. Total grain imports trended up from 8.3 million tons in 1966-67 to 9.4 million tons in 1970-71, but dropped to 8.2 million tons in 1971-72. During these same years, imports of grain from the United States showed a marked downward trend, declining from 3.6 million tons in 1966-67 to 1.9 million tons in 1971-72.

Wheat accounts for about one-half of the United Kingdom's total grain imports. In 1970-71, imports of wheat (including wheat for feed and grain equivalent of flour) were the heaviest since the early 1960's. Purchases of wheat from the United States spurted, reaching the highest level since the 1950's, as a result of favorable prices

of wheat in relation to corn following the U.S. corn blight.

In 1971-72, total U.K. wheat imports declined sharply because of restoration of a more normal wheat/corn price relationship on the world market and a higher domestic wheat crop. Imports from the United States fell to 522,000 tons, from 1,169,000 a year earlier.

Imports of feedgrains, which held steady at about 4.1 million tons between 1966-67 and 1970-71, increased to 4.4 million tons in 1971-72; however, imports of feedgrains from the United States, which consist almost exclusively of corn, have declined steadily, dropping from 2.7 million tons in 1966-67 to 1.4 million in 1971-72.

The higher price of grain which will result from the EC's CAP is expected to stimulate domestic production and to strengthen the competitive position of grains grown within the EC (especially French wheat and corn). The higher price of grain is also expected to bring about a shift in the composition of mixed feeds away from grain toward grain substitutes and high-protein feed.

U.S. AGRICULTURAL EXPORTS TO THE UNITED KINGDOM, AVERAGE 1965-69, ANNUAL 1970-71
[Thousands of U.S. dollars]

Commodity	Average 1965-69	1970	1971
Bulk items:			
Tobacco	132,599	106,843	102,660
Corn	87,750	74,478	54,901
Wheat	22,035	42,594	49,962
Lard	14,428	30,593	25,913
Cotton	14,194	7,397	15,178
Soybeans	15,914	16,215	13,039
Dried beans	7,178	6,835	10,580
Oilcake and meal	6,961	4,544	10,460
Furskins	2,765	8,791	10,195
Rice	9,283	10,459	9,692
Essential oils	4,314	4,632	6,798
Mohair	4,613	5,415	5,570
Cottonseed oil	327	7,312	4,902
Hides and skins	4,499	3,786	4,597
Tallow	4,535	5,251	4,561
Seeds for planting	2,159	2,923	3,265
Dried peas and lentils	4,289	4,324	3,221
Sausage casings	1,637	3,066	2,742
Peanut oil	169	1,003	2,446
Dehydrated vegetables	1,762	2,795	1,939
Rubber, latex	646	883	1,125
Linseed oil	1,441	1,629	1,025
Other bulk items	19,005	12,750	11,133
Total bulk items	362.503	364,518	355,904
Livestock	784	1,880	1,839
Consumer items:			
Butter	0	0	35,122
Beef tongues	5,883	6,345	7,691
Almonds	1,356	2,890	3,899
Raisins	2,675	3,419	3,814
Beef offals other than tongues and liver	3,624	4,183	3,620
Lamb and mutton offals	2,941	3,044	2,696
Anhydrous milk fat	0	0	2,253
Prunes	2,642	2,729	1,910
Orange juice, concentrated, frozen	794	1,216	1,261
Apples, fresh	4,331	1,173	988
Turkey parts	154	452	879
Oranges, fresh	479	1,013	775
Pineapples, prepared, preserved, canned	823	595	762
Dog and cat food	114	784	709
Onions, fresh	467	776	686
Fruit cocktail, prepared, preserved, canned	3,671	1,266	616
Beef	278	321	610
Beef liver	431	942	505
Other consumer items	14,194	12,515	10,962
Total consumer items	44,857	43,663	79,758
Relief shipments	119	587	485
Total agricultural exports	408,262	410,647	437,986

Note: Columns do not add due to rounding.

Under these circumstances, long-run prospects for U.S. sales of grain to the United Kingdom do not appear good.

Soybeans. In the long run, sales of U.S. soybeans will benefit from developments in the grain sector. After a steady rise between 1968 and 1970, purchases from the United States declined from 350,000 tons in 1970 (including transshipments) to 289,000 tons in 1971; however, shipments have been on the upswing for the first half of this year.

Lard. A strong interest has been maintained in U.S. lard imports, but purchases have been declining in recent months. Increased pressure from the expanded EC will be felt because of the U.K.'s adoption of EC variable levies early in 1973 and because of the increase in EC subsidies on lard exports to the United Kingdom.

Cotton. Imports of U.S. medium-staple cotton recovered in the 1970-71 marketing year, reaching 23,953 tons, which is more than double the 1969-70 total, although it is well below the level of previous years. In 1970-71 the United States regained its position as leading supplier of cotton to the United Kingdom and could well keep first place in 1971-72. The recovery of the U.S. position was due largely to reduced export availabilities from Latin America, the Soviet Union, and Pakistan. The overall decline in the U.K. cotton industry is one of the major constraints to U.S. exports of raw cotton.

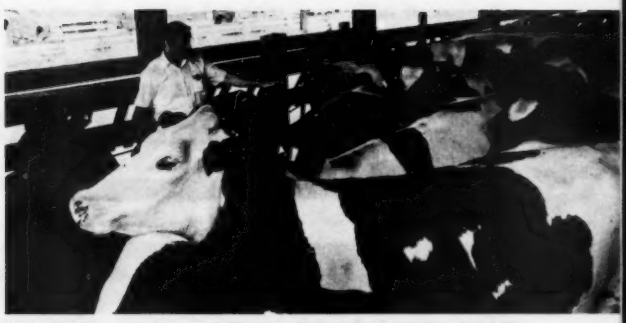
The main U.S. interest in the U.K. market for other textile fibers is mohair, where demand has not slackened and could remain firm.

Other bulk commodities. The United States also remains an important source of dry beans, especially navy beans which have trended upward, but exports of dry peas and lentils have declined. Bulk items such as seeds for planting, other nursery products, and essential oils have a record of recent growth, by as much as 58 percent between the 1965-69 average and 1971.

Consumer products. In the consumer-ready category, meat and meat preparations are the most important U.K. import markets. The United States is a marginal supplier of red meat, but a significant one for edible offals. Beef, veal, mutton, and lamb offals imports from the United States have expanded slowly. (No U.S. pork offals may be imported because of hog cholera risks.)

(Continued on page 20)

U.S. Holsteins Help Solve Spain's Milk Shortage



U.S. Holsteins destined for southern Spain get a final inspection before being loaded aboard ship.

The 550 head of U.S. registered Holsteins shipped to Spain last August have adapted well to their new home in southern Spain and, along with earlier Holstein exports, represent a good start toward upgrading Spain's dairy herd.

The huge shipment—one of the largest ever of U.S. dairy cattle—arrived in August on the modern cattle ship, the *Holstein Express*. They came through the voyage in excellent condition and were unloaded at a small port near Cadiz.

These cattle were chosen from 317 Holstein herds in 14 States for purchase by a large Spanish livestock cooperative, La Merced of Jerez de la Frontera, in southwest Spain. Arrangements for the sales were made by the Virginia Department of Agriculture and Commerce in cooperation with the Holstein-Friesian Association of America.

The cooperative bought these bred heifers under a Spanish Government program which pays up to 30 percent of the cost of imported bred heifers meeting the high requirements set by the Annual Production Agency.

With this large shipment, sales of U.S. Holsteins to Spain now total well over a thousand for the past 9 months. (Another shipment—489 bred heifers shipped last November—is well established on Spanish farms.

These shipments are part of Spain's efforts to upgrade and expand its dairy herds. The country has experienced a growing shortage of dairy products in the past few years.

Spain's 34 million people have had rapidly growing incomes and can afford larger amounts of higher priced dairy products. In addition, the millions of tourists who visit Spain each year (24 million last year) cause extreme shortages of dairy products during the height of the season. Altogether, milk consumption has been growing twice as fast as milk production since 1968.

Shortages have necessitated imports. Trainloads of milk were imported from France during peak periods of demand, some coming from as far away as 1,500 miles. Dairy imports totaled over $30 million last year—a considerable drain on the country's economy.

The Spanish dairy industry has begun to change with this growing demand. Less than 10 years ago, there were thousands of small dairies—with dairy stables housing two or three cows in the basements of buildings—in Madrid. These were later banned from the city.

The new type of dairy is a large, well-managed commercial dairy farm. One such farm (on 5,000 acres at Burgos in the Castilla la Vieja region) has developed a herd of about 200 Holsteins. This herd has been built up from 66 registered U.S. Holsteins imported over the past several years.

The owners of this farm are especially pleased with the cows' high output, which averages 14,300 pounds of milk annually.

The U.S. Holstein-Friesian Association, in cooperation with the Foreign Agricultural Service, has been developing an export market in Spain for several years. One of their most recent efforts was at the U.S. exhibit at the IX Feria Internacional del Campo, Spain's large agricultural trade fair held in Madrid in May and June.

The center of attraction in this exhibit was a string of Holstein cows, all classified as excellent. At that time they were considered to be the most valuable American Holsteins ever shipped overseas. All were purchased by the farm at Burgos and now produce milk for Spanish consumers.

One of the largest exports of U.S. cattle, 550 head, arrives in Spain.

Spanish Minister of Agriculture (center) inspects U.S. Holsteins at Madrid's IX Feria Internacional del Campo.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Nov. 8	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	2.76	−1	2.01
USSR SKS-14	(1)	(1)	(1)
Australian FAQ [2]	2.55	−3	1.67
U.S. No. 2 Dark Northern Spring:			
14 percent	2.52	−2	1.89
15 percent	2.56	−5	(1)
U.S. No. 2 Hard Winter:			
13.5 percent	2.49	−2	1.79
No. 3 Hard Amber Durum	2.60	0	1.83
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	1.77
Feedgrains:			
U.S. No. 3 Yellow corn	1.65	+1	1.37
Argentine Plate corn	2.08	+7	1.53
U.S. No. 2 sorghum	1.76	+3	1.41
Argentine-Granifero sorghum	1.77	+3	1.42
U.S. No. 3 Feed barley	1.58	0	1.20
Soybeans:			
U.S. No. 2 Yellow	3.88	+9	3.43
EC import levies:			
Wheat [3]	[4] 1.34	0	1.51
Corn [5]	[4] 1.16	0	1.02
Sorghum [6]	[4] 1.06	0	1.03

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Italian levies are 21 cents a bu. lower than those of other EC countries. Note: Basis 30- to 60-day delivery.

Outlook for U.S. Rice Sales To Hong Kong Appears Brighter

Tightening of rice supplies in the Far East owing to poor weather in the Philippines, South Korea, and Thailand has made U.S. rice more competitive in Hong Kong. Although only 295 metric tons of U.S. rice were imported during the first half of 1972, total purchases of U.S. rice for 1972 are now forecast at about 6,000 tons.

Title II Grains Sought To Relieve African Crises

Recent reports from Dakar indicate mounting food shortages in Mauritania and Senegal, a result of continuing drought and poor harvests. The U.S. Embassy has recommended that the United States supply up to 15,000 metric tons of sorghum and 4,000 tons of corn for free distribution in Mauritania. The U.S. Government is also being asked by the Government of Senegal to provide 5,000 tons of sorghum for immediate relief in Senegal.

People's Republic of China Buys U.S. Seeds Via Hong Kong

Traders in Hong Kong reexported 1,344 pounds of U.S. vegetable seeds valued at $3,500 to the People's Republic of China in June 1972. Hong Kong imports seeds in substantial volume and then reexports them to regular customers in Southeast Asia, often in small packages.

Hong Kong imported 510,418 pounds of vegetable seeds in January-June 1972, mostly from the People's Republic of China and the United States, and reexported 150,623 pounds during this period, mostly to Singapore, the Khmer Republic, South Vietnam, and the Philippines.

Heavy Rains Disrupt Romanian Harvest and Spring Sowing

Recently, Romania's heaviest rains on record have caused widespread flooding of rivers and fields and damage to bridges, dikes, and buildings over many parts of the country. The rains have delayed harvests of corn, potatoes, sugarbeets, and forage crops, and are believed to have caused considerable damage to these and other fall-harvested crops. Existing mechanical drying facilities have been unable to cope with the large quantities of wet corn.

The combination of bad weather and late harvesting also has seriously delayed the sowing of the winter wheat crop, thus possibly affecting Romania's wheat grain harvest for 2 consecutive years.

Thai Rice Crop Prospects Improve

Because of recent rains the Thai rice crop, which is 6 to 8 weeks later than usual, now looks better than was earlier anticipated. Thai rice prices, c.&f. Europe, have also declined.

No official estimate of the 1972-73 Thai rice crop is yet available, but trade sources estimated in early October a crop of not less than 12 million tons compared with 13.4 million last year.

Venezuela's Rice Crop May Be Down Over 40 Percent

A reported reduction in Venezuela's 1972 rice crop to 100,000-110,000 metric tons (rough basis), compared with 187,710 tons in 1971 and 217,090 tons in 1970, may lead to

additional commercial markets for the United States in third countries.

Venezuelan rice has not been competing heavily with U.S. rice in West European and certain other commercial markets. However, markets in Africa, Asia, and Latin America—to which Venezuela ships rice—are usually markets for U.S. rice.

Venezuela exported over 60,000 tons of rice in 1970, primarily to Ghana (45,000 tons) and the French West Indies (8,000 tons).

Drought Causing Grain Shortages in West Africa

Prolonged drought conditions are severely affecting grain production in West Africa, causing speculation over food availability and distribution during the spring season when shortages are most critical. The millet/sorghum harvest in Niger has been termed "catastrophic," while two successive plantings in Senegal have failed this year because of inadequate rainfall. Cattle production in Mauritania is being seriously affected by a lack of water and feed.

Canadian Barley Exports Likely To Decline

Canada's barley exports in 1972-73 may total only about 150 million bushels, substantially less than the 230 million exported in the past year. The reduction is due to limited handling capacities and an apparent tendency to use that capacity for increased exports of wheat.

Japanese Rice Crop Up 8 Percent

Japanese 1972 rice production at 11.8 million metric tons was up 8 percent above the 10.9-million-ton 1971 crop, according to the first official Ministry of Agriculture and Forestry estimate released October 6. An area reduction of about 2 percent was more than offset by good growing conditions.

FRUITS, NUTS, AND VEGETABLES

Spanish Onion Shortage Reported

Spanish Grano onions suitable for export are reportedly in short supply. Price is firm at about $3 for a 55 pound sack, f.o.b. Valencia.

French Walnut Crop Up 40 Percent

France's 1972 commercial walnut crop is placed at 28,000 short tons (in-shell basis), 40 percent above last season's but slightly below the 1966-70 average of 29,000 tons. Quality and nut size of the 1972 harvest are reported to be good.

French imports of walnuts rose sharply last season because of the short crop, to a total of 6,600 tons. This compares with less than 700 tons in either of the two previous seasons. Industry sources forecast 1972-73 imports at 1,000 tons, down in anticipation of a larger domestic crop. The People's Republic of China and the United States rank as France's primary foreign suppliers.

French walnut exports during the 1971-72 season are placed at 8,400 tons, in-shell basis, the lowest level in 6 years. West Germany continues to rank as France's principal export market for walnuts.

India's Commercial Walnut Crop Surpasses Last Season's

India's 1972 commercial walnut crop is placed at 15,000 short tons (in-shell basis), 25 percent above last season's poor yield.

Prices, high since May 1972 in the face of short world supplies, continue firm. In late June, in-shell walnuts of superior quality sold for 39.6 cents a pound compared with 36.2 cents a year earlier. In mid-September, wholesale prices of average quality in-shell walnuts in the major markets ranged from 24 to 30 cents per pound. This compares with a range of 18 to 24 cents last year.

Overseas shipments during the 1971-72 season (October-September) are placed at 6,000 short tons (in-shell basis), virtually equal to last season's level. Industry sources feel 1972-73 exports will total 7,500 to 8,000 tons.

SUPPLY AND DISTRIBUTION OF INDIAN WALNUTS
[In thousands of short tons, in-shell basis]

Item	Year beginning October 1			
	1968	1969	1970	1971[1]
Beginning stocks (Oct. 1)	0.2	0.1	0.1	0.2
Production	15.5	11.0	15.5	12.0
Total supply	15.7	11.1	15.6	12.2
Exports	10.4	4.9	6.0	6.0
Domestic disappearance	5.2	6.1	9.4	6.0
Ending stocks (Sept. 30)	.1	.1	.2	.2
Total distribution	15.7	11.1	15.6	12.2

[1] Preliminary.

Partial Relaxation of Philippine Fruit Import Restrictions

The Central Bank of Philippines announced October 24 that importers will be authorized to import 25 percent of their 1968 imports of oranges, lemons, apples, pears, almonds, walnuts, prunes, and a number of other food preparations. The Central Bank had stopped allocation of foreign exchange for imports of such "nonessential" commodities February 1970.

Imports are subject to Philippine tariffs and a new tariff schedule is expected in the near future.

World Potato Crop Is Down This Year

Short crops dominate world potato production. Except perhaps for parts of Eastern Europe, potato production this year is below that of 1971.

First evidence of short supplies appeared in South America where bad weather—excessive rain, cold, and heat—lowered yields. Chile, Peru, Uruguay, and Argentina have had to import potatoes.

Heat and drought damaged potatoes in the USSR, which is now reported to be importing heavily from Poland. Potato production was normal in East European countries.

Preliminary reports in all European Community (EC) countries—except Italy—show potato production about 7 percent below that of 1971. This is due primarily to fewer acres rather than lower yields. Both yield and quality tended to be up. West Germany expects to import about 900,000 tons. Italian production is about the same as 1971. Production in Greece, an EC associate, is up about 20 percent. Most of the Italian and Greek production is harvested during the spring and summer months.

Acreage in the United Kingdom is about 5 percent less than last year, and production prospects were reduced by early frosts in key areas of Scotland.

Denmark reports good quality, although supplies are 10 percent below 1971. Norway's production is also lower—perhaps by 5 percent—and no exports are likely. On the other hand, Norway expects to import some new potatoes in early spring.

North America has fewer potatoes than in 1971. The Canadian crop is down about 17 percent, and the October estimate placed U.S. production 7 percent lower than last year's.

Spain's 1972 Canned Fruit Pack Smaller Than Last Year's

Unfavorable weather and mounting marketing problems contributed to a smaller 1972 Spanish canned deciduous fruit pack. Production, estimated at 3.5 million cases equivalent to 24/2½'s, was 5 percent below that of 1971.

Heavy April snow, hailstorms, and rainy spells affected quality more severely than they did volume, and apricots and grapes more seriously than other fruits. Production of canned peaches is estimated at 1.4 million cases, 7 percent below the 1971 level. Apricot production is estimated at 1 million cases.

Current estimates indicate 1971-72 exports of all canned fruit dropped while domestic demand continued to level off. Total 1971-72 peach exports are estimated at 225,000 cases, 18 percent below those of 1970-71.

The United Kingdom was the leading buyer of Spanish canned fruits. West Germany and France were also important markets.

SPANISH CANNED FRUIT PRODUCTION [1]
[In thousands of cases, equivalent 24/2½'s]

Item	1969	1970	1971	1972 [2]
Peaches	1,407	1,300	1,500	1,400
Apricots	1,358	1,500	1,200	1,000
Other	873	800	1,000	1,100
Total	3,638	3,600	3,700	3,500

[1] Fruits packed in syrup. [2] Preliminary.

West German Tenders on Canned Wax Beans and Pears

West Germany has announced tenders allowing imports of canned wax bean cuts in containers of less than 9.9 pounds, and canned pears. Applications for import licenses will be accepted until an undisclosed value limit is reached, but not later than March 29, 1973. Licenses will be valid until March 31, 1973. Products containing added sugar are subject to the respective EC regulations.

The West German Foreign Trade Agency reserves the right to invalidate the licenses issued under either of these tenders if the Council of Ministers or the EC Commission subjects these products to an EC licensing system or takes protective measures in accordance with EC regulation 1427/71 (providing for actions under escape clause).

SUGAR AND TROPICAL PRODUCTS

Ivory Coast and Cameroon Cocoa Prices Remain Unchanged

Prices paid to Ivory Coast cocoa farmers for the 1972-73 (October-September) crop will remain at the same level as in the prior season—15 U.S. cents per pound for grade 1 cocoa beans.

Prices paid to Cameroon farmers will also remain unchanged from the previous year—16 U.S. cents per pound for grade 1 cocoa.

International Sugar Council Meets To Set 1973 Quotas

The Ninth Session of the International Sugar Council will open in London at the seat of the International Sugar Organization on Wednesday, November 15. Items on the agenda include:

- Determination of initial export quotas for 1973;
- Review of developments since the Eighth Session, including a survey of the market situation in 1972; and
- Arrangements for the negotiation of an International Sugar Agreement to come into force on January 1, 1974.

There have not been export quotas under the Agreement during calendar 1972, since the world price of sugar has exceeded the limit under which the quotas would go into effect. As the price has been higher than 6.50 cents per pound during much of 1972, yearly supply commitments—under which each importing member has the option of purchasing from each of its traditional export members at the "supply commitment price" (6.95 cents f.o.b. Carribbean port in bulk)—have been operative most of this year.

Philippines Sugar Production Down

The Government of the Philippines estimates that the 1971-72 centrifugal sugar crop will not exceed 1.97 million short tons (commercial weight)—13 percent below the previous year. This outturn would be 142,000 tons less than basic requirements of 2,112,000 tons, consisting of the export commitments to the United States for 1,361,726 tons (1,401,761 tons raw value) and the domestic consumption quota of 750,000 tons.

Exports to the United States from October 1, 1971, to September 24, 1972, totaled 1.12 million short tons commercial weight. It is expected that some of the 1972-73 crop will be used to help fill the U.S. quota for 1972.

TOBACCO

Mexican Government Forms Firm To Control Tobacco Production

A Mexican Government decree announced November 4 provides for establishment of a company known as Tobacos Mexicanos S.A. (TABAMEX) to engage in all activities connected with the production of tobacco from plant beds to harvest, processing, and trade in both domestic and international markets. The Government will own 52 percent of the new company; 24 percent will be owned by tobacco grower associations, and 24 percent by private companies in Mexico manufacturing cigarettes and pipe tobacco. These include R. J. Reynolds, Philip Morris, Liggett and Myers, and the British-American Tobacco Company. These companies, together with U.S. leaf organizations, have, for several years, been producing most Mexican tobacco under contract with farmers.

Mexican officials say they do not expect the policy change to affect the price and volume of Mexican tobacco exports which have been expanding rapidly in recent years and now total some 25 million pounds annually.

Indications are that planting of flue-cured and burley will be increased in 1973 for the export market. These tobaccos compete in world trade with U.S. tobaccos.

Ten years ago Mexico annually imported approximately 7 million pounds of U.S. flue-cured and burley cigarette tobacco but for the past few years imports of U.S. leaf and cigarettes have been insignificant.

U.S. Imports Tobacco From Mainland China

A shipment of 22,000 pounds of flue-cured tobacco was imported (arrivals) by the United States from Mainland China in September 1972. The average declared value was approximately 27 cents per pound. This was the first indication of tobacco trade between the United States and China since President Nixon's decision in June 1971 to end a 21-year embargo between the two countries.

China, in the early 1930's, was the second largest importer of U.S. leaf but gradually replaced U.S. leaf with cheaper domestically produced tobacco. China is now the second largest tobacco producer, exceeded only by the United States, and has entered the international export trade in recent years.

FATS, OILS, AND OILSEEDS

Romania To Build Soybean Plant

The Romanian State organization—Industrial Import—has ordered a soybean crushing plant to be constructed by a West German firm. The plant is to be established near Bucharest and should be ready for production in 1973.

Although a considerable share of the facilities will be provided by Romanian companies, the German firm will provide a cleaning and drying plant for soybeans, and other equipment.

Romanian soybean production has totaled less than 100,000 tons annually through 1971, but substantial increases are expected in the next few years.

USSR Paid $3.60 Per Bushel for U.S. Soybeans for September Shipment

During September 1972, the United States exported 2.1 million bushels of soybeans to the USSR with an average value of $3.60 per bushel, f.o.b. Chicago, basis No. 2, yellow. Total U.S. soybean exports during that month exceeded 15 million bushels with an average value of $3.53 per bushel, primarily from the gulf ports. While shipment of soybeans to the USSR began on September 12, information on when purchases were made is not available.

In September 1972, the gulf ports' premium over Chicago varied from 24 cents per bushel on September 15 to no premium the week of September 21.

U.S. Cottonseed Oil May Have Export Opportunities

U.S. cottonseed oil, which is eligible for financing under Commodity Credit Corporation credit, has a highly favorable price relationship with sunflowerseed and peanut oils in the European and Japanese markets this year, and U.S. exporters may be able to capitalize on the situation.

Sunflowerseed and peanut oils are currently selling, c.i.f. Europe, for $300 and $400 per ton, respectively. On the other hand, U.S. cottonseed oil in bulk, f.o.b. gulf, is selling for about $262 per ton (or $275 a ton, c.i.f. Europe), compared with $377 per ton a year ago. U.S. cottonseed oil supplies are up sharply this season because of a 31-percent increase in the cotton crop.

Philippine Exports of Coconut Products Reach Record Level

In September Philippine exports of copra and coconut oil reached a record volume of 113,700 metric tons (oil basis). Cumulative exports during January-September amounted to 813,700 metric tons (oil basis) against 623,300 tons for the same 9 months in 1971.

Of the 190,400-ton expansion registered in the first three quarters of 1972, 89,100 tons came in January-March, 84,500 tons in April-June, and only 16,800 tons in July-September.

Earlier USDA expectations, based on rainfall data—that the rate of increase in Philippine exports would top out in the second half of 1972—may be justified. Following this trend in declining rainfall, it would appear that exports in 1973 could possibly dip from the record 1972 volume despite an estimated 2-percent increase in bearing-tree numbers.

LIVESTOCK AND MEAT PRODUCTS

Dairy Cattle Added to Morocco's CCC Credit Line

Dairy breeding cattle have been added to the $20 million line of CCC credit for Morocco. The Government of Morocco has accepted a bid for 550 head of Holstein dairy breeding cattle from the Holstein Friesian Services, Inc., an affiliate of the Holstein-Friesian Breeding Association.

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FOREIGN AGRICULTURE

U.S. Farm Exports to the United Kingdom (Continued from page 14)

The second most important import market is fruit and vegetables. In recent years the United States has lost considerable ground to other suppliers, such as Australia and South Africa— especially in apples and canned fruits.

The United States is temporarily back in the U.K. poultry meat market. Veterinary import barriers to uncooked poultry have been eliminated for suitable sources, including the United States. However, the MIP for poultry will be replaced by the full force of the CAP effective January 1, 1973, or shortly thereafter.

In April 1971, butter import quotas were suspended, thus allowing the United States to enter the market. Butter at once became the major U.S. consumer-ready commodity exported to the United Kingdom.

Other U.S. consumer-ready exports which have grown rapidly since the mid-1960's include: Turkey parts (1971 exports at $0.9 million, were almost 6 times the 1965-69 average); almonds and walnuts (1971 exports, at $3.9 and $0.4 million, respectively, were in both cases more than 3 times as great as the 1965-69 average); raisins (1971 exports, at $3.8 million, were 43 percent above 1965-69); and fresh strawberries, fresh asparagus, natural honey, dog and cat food, and breakfast cereal.

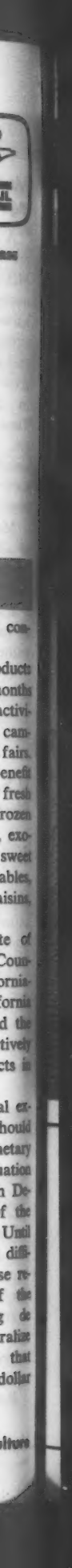
In 1971, exports of orange juice and grapefruit juice (concentrated and frozen) at $1.3 and $0.4 million, respectively, were 59 percent and 500 percent above the 1965-69 average. Import quotas from the Dollar Area continue on fresh grapefruit, canned grapefruit sections, and single strength grapefruit and orange juices. No quotas are set for frozen orange juice concentrate, but a 22-percent purchase tax on the wholesale value of fruit juices from any source remains in effect. Duty rates for whole lemons and related products were reduced in 1970.

The increase in prices that will be brought about by membership in the EC is likely to slow down increases in per capita consumption of higher-priced livestock products, but consumption of meat, poultry, milk products, and some other high-protein foods will continue to trend higher. Processed and fresh fruits and vegetables consumption will also expand.

The market for convenience and processed foods—frozen and dehydrated—is a substantial and growing one, especially the institutional markets. More than 60 percent of the households have refrigerators, and the number is estimated to reach 70 percent by 1980.

Import channels are well developed with specialized importers for foodstuffs and some other consumer goods. Distributional problems are generally minimal as a concentrated population and efficient transportation make all regions of the country readily accessible. Major multiple chain stores with a nationwide coverage are increasing in importance for the marketing of consumer items.

Sales of a wide range of products will be promoted in the coming months by USDA through a variety of activities, including exhibits, in-store campaigns, and participation in trade fairs. Among the products that will benefit from promotional activities are fresh and frozen poultry, specialty frozen foods, ethnic foods, dietetic foods, exotic fruits, desserts, snack items, sweet corn, watermelons, mixed vegetables, grapefruit, cranberries, dates, raisins, and tree nuts.

The Poultry and Egg Institute of American, the U.S. Feed Grains Council, the Rice Council, the California-Arizona Citrus League, the California Cling Peach Advisory Board, and the Florida Citrus Commission are actively promoting their respective products in the U.K. market.

The volume of U.S. agricultural exports to the United Kingdom should continue to be affected by monetary realinements caused by the devaluation of the U.S. dollar agreed upon in December 1971 and the floating of the British pound in June this year. Until exchange rates stabilize it will be difficult to evaluate the effect of these realinements, but the floating of the pound—with the accompanying de facto devaluation — may neutralize some advantages to U.S. trade that should have resulted from the dollar devaluation.